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C O N F I D E N T I A L SECTION 01 OF 02 TALLINN 000371

SIPDIS  
AMEMBASSY ANKARA PASS TO AMCONSUL ADANA  
AMEMBASSY ASTANA PASS TO AMCONSUL ALMATY  
AMEMBASSY BERLIN PASS TO AMCONSUL DUSSELDORF  
AMEMBASSY BERLIN PASS TO AMCONSUL LEIPZIG  
AMEMBASSY BELGRADE PASS TO AMEMBASSY PODGORICA  
AMEMBASSY HELSINKI PASS TO AMCONSUL ST PETERSBURG  
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AMEMBASSY MOSCOW PASS TO AMCONSUL VLADIVOSTOK  
AMEMBASSY MOSCOW PASS TO AMCONSUL YEKATERINBURG

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TAGS: [PREL](#) [PGOV](#) [ECON](#) [MOPS](#) [EN](#)  
SUBJECT: Estonia: DAS Quanrud Discusses Afghanistan, Russia, the Economy

CLASSIFIED BY: Marc Nordberg, Political/Economic Chief; REASON:  
1.4(B), (D)

Classified by Ambassador Michael Polt for Reasons 1.4 B & D.

¶1. (C) Summary: GOE officials reaffirmed to visiting EUR DAS that Estonia will remain in Afghanistan as long as needed, and is looking for ways to increase its presence. Estonia will contribute an additional trainer to EUPOL and a counter-IED team in Helmand Province, and is considering other options as well. Contacts said that the economic crisis has hurt Estonia, but has only erased a few years of growth. This makes Estonians relatively upbeat about the economy: GDP is expected to see positive growth soon, possibly as soon as Q4 2009, the government managed to raise pensions while still cutting spending, non-performing loans remain at low levels, and the GOE has undertaken a number of reforms to boost growth. On Russia, Estonia is aiming for pragmatic relations. Working level ties are productive, but at the political level remain cool. The GOE is concerned about the potential sale of a French helicopter carrier to Russia, but will address this problem in a low-key manner. End summary.

¶2. (U) EUR DAS Quanrud visited Tallinn December 9 and met with the Prime Minister's Economic Advisor Aare Jarvan, MFA Undersecretary (and Ambassador to Afghanistan and Pakistan) Harri Tiido, MPs Mati Raidma (Chair of the National Defense Committee), Enn Eesmaa (vice chair of the Foreign Affairs Committee), and Marko Mikhelson (Chair of the European Affairs Committee), and a group of security and economic experts, including Kadri Liik - a signer of the July "Open Letter" to President Obama on USG engagement in Central and Eastern Europe. Highlights of the meetings are:

In Afghanistan as Long as Needed; 2010 Elections a Mistake

¶3. (C) Tiido stressed that Estonia, "will get out of Afghanistan as soon as possible, but will remain as long as needed." He said the GOE will increase its commitment to Afghanistan by adding a counter-IED team, is considering HUMINT specialists, and will add a police trainer to the EUPOL mission (Estonia currently has two trainers with EUPOL). Tiido argued that EUPOL needs to expand outside Kabul, and therefore Estonia will support a police training academy in Helmand Province. Raidma explained that Estonia appreciated serving with U.S. forces in Iraq and Afghanistan, and

that the Defense Minister is reviewing options for further joint deployments with the U.S. The GOE supports the new USG plan for Afghanistan, but Tiido opined that the 18 month timeline sends a negative signal to the Taliban and Afghans that the West would pull out before the job is done. That's said, the GOE is preparing its public for a long commitment in the region. Coincidentally, that same day the Estonian parliament voted to extend the military mission in Afghanistan for another year (septel). Eesmaa explained that his opposition Center Party voted with the government in favor of the Afghan mission.

¶4. (C) Tiido argued that Afghan parliamentary elections in 2010 would be a huge mistake. There needs to be more troops on the ground, massive reform of the electoral process and institutions, clearly defined voting districts, and improved voter registration, otherwise the elections would be a repeat of this year's mess. Another failed elections would destroy public confidence in democracy, both in and out of Afghanistan. Therefore Karzai needs to be pressed to delay the elections for a year. Tiido said the Nordic and Baltic countries and the UK agree with this assessment (note: the MFA that day hosted a Nordic, Baltic, UK conference on Afghanistan).

Economy Not So Bad

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¶5. (C) Jarvan stated the worst of the economic crisis seems to have passed and that Estonia may see positive growth as early as Q4 ¶2009. Estonia experienced a sharp drop in GDP recently, but GDP has only fallen to its 2005 level. Other EU countries have seen their GDP's fall back even further. Likewise the banking sector is strong - only six percent of mortgages are more than 60 days overdue, the government was able to raise pensions this year while still cutting spending to meet the Maastricht Criteria, Estonia has the lowest level of public debt within the EU, and defense spending will remain just under two percent of GDP. While much past growth came from strong domestic consumption, Jarvan expects future growth to be export driven. The GOE has taken a number of steps to encourage future growth: the Labor Market Act which took effect in July makes it easier to hire and fire employees; the GOE has several worker retraining programs; it is now easier to establish a company - and can be done completely online; and the government is lessening the administrative burden on entrepreneurs. Jarvan also said Estonia's potential euro accession in 2011 is already helping to attract investment from Scandinavia.

Russia: Aiming for Pragmatic Relations

¶6. (C) Tiido explained that Estonia seeks pragmatic relations with Russia, and has managed a number of productive working level meetings over the past year. However, Estonian-Russian relations are decided by Putin, not the Kremlin or MFA, and Putin has a personal gripe with Estonia. Tiido recounted that Putin's probable father parachuted into Estonia during World War II. He was subsequently betrayed to the Germans by Estonian peasants, escaped, but was wounded in the attempt. Therefore while relations can be fine at the working level, they are difficult at the political level.

¶7. (C) Tiido said Estonia is worried about the potential French sale of a helicopter carrier to Russia. The GOE wants France to have a face-saving way to back away from the sale, so is taking a low-key approach, which includes questioning the sale in the EU's Strategic Goods Commission. The GOE will also discuss with Latvia and Lithuania, and ask them to remain low-key in responding to the sale. However, Tiido noted there is opposition in Russia to the

sale, the ship would need significant modification to operate in icy (Baltic) conditions, lacks armament to defend itself, and would require significant retooling of the Russian Navy's supply system.

Happy with USG Engagement

18. (C) Raidma said that Estonia is happy with the level of cooperation with the United States, particularly that the USG sent a civilian expert to the Tallinn Cyber Defense Center and trainers to the Baltic Defense College. His one complaint is that Foreign Military Financing is shrinking. He argued the absolute dollar amount is not as important, but that the downward trend sends a negative signal about USG engagement.

19. (U) DAS Quanrud has cleared this cable.  
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